

## Message Text

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ACTION EUR-12

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FM AMEMBASSY LISBON

TO SECSTATE WASHDC 2329

INFO AMCONSUL OPORTO

C O N F I D E N T I A L LISBON 1845

E.O. 11652: GDS

TAGS: EGEN, PO

SUBJ: PORTUGUESE INDUSTRIAL CONFEDERATION DISCOURAGED  
BY RECENT EVENTS

1. ANTONIO VASCO DE MELO, PRESIDENT OF THE EXECUTIVE COMMITTEE OF THE PORTUGUESE INDUSTRIAL CONFEDERATION (CIP), IS GENUINELY TROUBLED ABOUT THE FUTURE ROLE OF THE PRIVATE SECTOR AND THE CONTINUED EXISTENCE OF THE CIP. PESSIMISM, BROUGHT OUT IN 45-MINUTE CONVERSATION WITH EMBASSY OFFICERS, STEMS FROM EVENTS OF MARCH 11 AND SUBSEQUENT ECONOMIC UPHEAVAL.

2. THE CIP IS VERY SHORT OF FUNDS AND JUST BARELY MET MARCH PAYROLL. IT HAS MADE INTENSIVE EFFORTS OVER LAST TWO WEEKS, CONTACTING 3,000 FIRMS, TO STRENGTHEN ITSELF ORGANIZATIONALLY AND TO INCREASE ITS REVENUES. FATE OF CIP, HOWEVER, IS IN HANDS OF GOP. "MOMENT OF TRUTH HAS ARRIVED," HE SAID. IF GOVERNMENT ACKNOWLEDGES CIP, LATTER CAN REVIVE AND PLAY A USEFUL ROLE; IF NOT, CIP WILL CEASE TO EXIST."

3. QUERY FROM EMBASSY OFFICERS ABOUT CIP OPINION OF NEW ECONOMIC TEAM ELICITED RESPONSE THAT ONLY REVOLUTIONARY COUNCIL IS REALLY IMPORTANT IN CURRENT SITUATION, WITH ECONOMIC MINISTERS' ROLE REDUCED TO IMPLEMENTATION RATHER THAN POLICY FORMULATION. RESPONDING TO REMARK THAT PRIVATE SECTOR APPARENTLY STILL  
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HAS ROLE, DE MELO SAID YES BUT RESIGNEDLY ASKED "WHAT ROLE."

4. ONE OF CIP'S PET PROJECTS--A PROPOSAL TO ORGANIZE AND FINANCE A CONSORTIUM TO BUILD 40,000 HOUSES OVER THREE YEARS AT A TOTAL COST OF \$800 MILLION--HAS ALSO FALLEN ON HARD TIMES. CIP WAS DEPENDING ON EXTERNAL SOURCES FOR THE INITIAL INJECTION OF CAPITAL. AT LEAST ONE LARGE NEW YORK BANK WAS STUDYING THE PROPOSAL BEFORE MARCH 11; IT HAS SINCE INFORMED CIP THAT THE PROPOSAL IS NO LONGER UNDER CONSIDERATION. SIMILAR NEGATIVE RESPONSE HAVE BEEN RECEIVED FROM BRITAIN AND FRANCE.

5. FINALLY, CIP'S PROBLEMS ARE COMPOUNDED BY A BURGLARY JUST AFTER MARCH 11 IN WHICH THE ORGANIZATION LOST VITAL PLANS AND CORRESPONDENCE.

6. COMMENT: FATE OF CIP DELICATELY BALANCED AT MOMENT. WORKING IN FAVOR OF ITS CONTINUED EXISTENCE ARE REPEATED GOP PRONOUNCEMENTS--EVEN AFTER MARCH 11--THAT THE PRIVATE SECTOR HAS A CONTINUING ROLE IN THE PORTUGUESE ECONOMY AND FACT THAT CIP HAS OPENLY SUPPORTED GOP SINCE APRIL 25 AND MADE EFFORTS AT HOME AND ABROAD TO BOLSTER THE ECONOMY. ON OTHER HAND, MAIN FINANCIAL AND ADMINISTRATIVE SUPPORT OF CIP CAME HERETOFORE NOT FROM THE THOUSANDS OF SMALL ENTERPRISES THAT MAKE UP MOST OF ITS MEMBERSHIP BUT FROM A FEW LARGE ENTERPRISES, A FACT THAT GOP IN ITS CAMPAIGN AGAINST "MONOPOLIES" IS NOT LIKELY TO OVERLOOK.  
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